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Office of the Chief, Economic Research  
Office of Research and Reports

7 Dec 1955

(Date)

MEMORANDUM FOR: Chief, Economic Research

TO: Chief, Planning and Review Staff

FROM: Transmission of Draft Report, Ch/E Project No. 42 982

SUBJECT: Title: Implications of Trade with the Soviet Bloc

Case Study 1 FINLAND

Author: [Redacted] 25X1A

ENCLOSURE: Subject draft report (Original and two copies)

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Chief, [Redacted] [Redacted]

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The classification of this transmittal sheet will be changed to conform to the classification of the draft report which it covers.

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NOTURN

IMPLICATIONS OF TRADE WITH THE SOVIET BLOC

(Case Study I FINLAND)

OSR Project 42.982

30 December 1955

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SUMMARY AND CONCLUSIONS

Finland's economic losses incurred in the course of two conflicts with the USSR and the stringent provisions imposed by the Peace Treaty of 1947 left the country impoverished and vulnerable to Soviet economic encroachments. The Soviet Union's insistence that well over \$500 million worth of reparations be delivered largely in products of the metal and shipbuilding industries - commodities not previously exported to any large extent by Finland - substantially compounded Finland's economic burden.

The forced expansion of Finnish industry, essentially geared to reparations deliveries, left the Finns dependant on Soviet markets even after such payments had been fulfilled. By the end of 1953, the Soviet Bloc, largely by means of this pre-emption of Finnish trade through the reparations device, accounted for almost one-third of Finland's total trade, and by the end of 1953 the USSR displaced the United Kingdom as Finland's chief trading partner.

The serious decline in world demand for wood and wood products and Finland's inability to find suitable markets in the West for its reparations-born industrial production in which Finland does not enjoy a comparative advantage in trade have made it imperative, in Finnish eyes, to retain their markets in the East.

This dependence upon the Soviet Union as a primary market for its industrial output has in turn engendered a substantial reliance upon the Bloc as a source of supply. Faced with the prospect of increasing its

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already sizable accumulation of inconvertible Bloc currency, Finland has been obliged to import large quantities of Soviet Bloc goods, much of which she has been forced to re-export, often at considerable loss. Finland's total import requirements of petroleum, coal, bread grains, sugar, fodder, fertilizers and, to a lesser extent, of iron and steel, ferro-alloys and cotton are now virtually filled by Soviet Bloc shipments.

That such close commercial ties with the Soviet Bloc constitute a latent danger to Finnish independence and make the country vulnerable to Soviet pressure is evident both to western observers and to the Finns themselves. While the situation remains potentially dangerous, however, there appears little evidence that it portends any immediate threat to Finnish economic or political integrity. Finland's inability to find suitable imports from the Soviet Bloc and a reluctance to accumulate larger ruble balances, militate against any substantial increase in Finn-Soviet trade in the foreseeable future. Finland is making ever increasing efforts to lower production costs and to increase the ability of its reparations-born industries to compete in both the domestic and foreign market. With a concomitant expansion of Finland's traditional exports to western markets there is sufficient indication that if the Soviet Union were to curtail suddenly its imports of Finnish products, Finland could, after a period of initial adjustment, adapt itself to new patterns of production, consumption and trade with the non-Bloc areas. This, of course, is dependent upon Western willingness and ability to absorb the bulk of Finland's traditional export items.

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## I. Historical Background

Prior to the first World War Finland's position as an autonomous Grand Duchy attached to the Russian Empire, led inevitably to strong commercial ties with the East. Occupying first place among Finland's trading partners, Russia accounted for some 30 percent of total Finnish trade. In fact, so closely had Finnish industry been geared to Russian import requirements that in 1913 Russia absorbed 62 percent of Finnish pulp and paper exports, 98 percent of its leather goods, 84 percent of its metal manufactures, 98 percent of its stone and mineral production and 97 percent of the products of the spinning and weaving mills. <sup>3</sup>

The Russian revolution and subsequent Finnish independence substantially altered Finland's traditional foreign trade pattern, and after 1920 the share of the Soviet Union averaged little more than 2 to 3 percent of the total foreign trade of the new Finnish Republic. This rapid disappearance of what historically had been Finland's chief export market was due primarily to implementation of the Soviet policy of limiting its imports to vitally needed capital goods in an effort to hasten Socialist construction and economic self-sufficiency. Not until 1940 was any concerted effort made to expand the exchange of goods between the two nations but a trade agreement concluded in June of that year was abrogated by the coming of war.

The loss of the Russian export market, however, had been quickly replaced by that of Great Britain who was to remain Finland's chief trading partner until 1953. In 1938, the last full year of normal trade relations, Finland

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sent 42.7 percent of its total export value to the United Kingdom compared with 14.8 percent to Germany, 9.2 percent to the United States, 2.8 percent to Sweden and .5 percent to the USSR. <sup>2/</sup>

Finnish involvement in two major conflicts (1940-1945), coupled with the particularly stringent provisions of the peace treaty imposed by the USSR, left the small republic impoverished and with its foreign trade practically at a standstill. Finland was forced to cede approximately 13 percent of its territory to the USSR and with it went 11 percent of the cultivated land, 432 plants which had contributed more than ten percent of the total industrial production, 600 miles or some 17 percent of the total railroad trackage, plants which had produced 32 percent of the prewar hydroelectric power and many valuable ports which had handled almost 20 percent of Finnish prewar exports. <sup>3/4/</sup>

Especially hard hit were the woodworking plants whose products dominated the country's prewar exports. Among the plants lost to the USSR were 65 saw and planing mills which had produced 12 percent of the total output in 1938 and a host of other factories and plants which had accounted for 26 percent of the production of chemical pulp, 15 percent of the plywood, 12 percent of the mechanical pulp and five percent of the paper production. <sup>5/</sup>

It has been officially estimated that the economic loss in the ceded territories represented almost 13 percent of Finland's prewar natural resources. <sup>2a/</sup>

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## II. The Reparations Burden

The difficulties which beset Finland's already strained economy were added to by the reparations imposed by the armistice treaty of September 1944 and later confirmed by the peace treaty of 1947. Under their provisions, Finland was obliged to pay in kind to the USSR war reparations amounting to 300 million 1938 dollars payable within a six-year period. Although subsequent agreements reduced the sum to 226 million 1938 dollars and extended the term of payment to eight years, the Soviet demand that reparations deliveries include many commodities not previously exported by Finland, necessitated a forced expansion of Finnish industrial production. <sup>6/</sup> Aided, however, by U.S. and Swedish loans totaling \$373 million, chiefly for investment in metal working and shipbuilding industries, Finland was able to fulfill her reparations obligations and by September 1952, she had delivered over 500 million current dollars worth of commodities to the Soviet Union. <sup>7/</sup>

Table I

### Finland's War Reparations to the USSR <sup>8/ 9/</sup>

Year	Cost of Reparations*		Reparations as a percent of net National Product at factor cost	Reparations as a percent of total national budgetary expenditures	Reparations as a percent of total exports
	Millions of current dollars	Billions of Finnish marks			
1944	.2	.27	.4	.7	4.3
1945	91.2	8.17	8.2	19.3	61.0
1946	64.5	8.78	5.6	14.4	27.6
1947	76.5	10.40	4.6	14.2	18.7
1948	84.9	11.55	3.8	11.1	17.0
1949	74.2	12.23	3.8	10.9	15.7
1950	34.1	7.85	1.6	6.1	8.7
1951	53.9	12.40	1.8	6.8	6.2
1952	35.7	8.25	1.4	4.1	5.0
Total	515.2	79.90			

\* Excludes former German assets



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With more than one-half of all deliveries to the USSR to consist of commodities not previously exported by Finland, it was imperative that new lines of manufacture be quickly created and current production reorganized to meet reparations demands. Table II compares the average percentage composition, by value, of Finland's exports for the years 1929-1938 with that of reparations for the years 1944-1952, and gives some indication of the magnitude of the modifications in Finland's industrial structure, required by her deliveries to the USSR.

Table II

Comparison of Finnish Prewar Exports and Reparations Deliveries 10/ 11/  
(in percent of total value)

	World Exports 1935-1937	Reparations 1944-1952	World Exports 1953
Wood and Paper Products	83.9	27.8	77.6
Metal working products	2.8	72.2	10.7
includes: Machinery and equipment	----	31.2	----
shipbuilding	----	35.3	----
electric cable	----	5.7	----
Agricultural products	8.7	0.0	3.7
Other goods	4.6	0.0	8.0
Total	100.0	100.0	100.0

The major burden, of course, fell on Finland's metal-working and shipbuilding industries with 35.3 percent of the total value of reparations to include shipping of various types, 21.2 percent to include machinery and equipment and 5.7 percent to include electric cable. Deliveries during the first years of industrial reorganization were, of necessity, composed largely of

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used ships and wood products but the value of the products of the metal and shipbuilding industries steadily increased from 17 percent of all payments in 1954 to almost 99 percent during the last four years of reparations deliveries. 12/

The war itself had provided some impetus to the Finnish metal industry but reparations obligations called forth an even more rapid expansion, as shown by the following indices of industrial development. 13/

Table III

Indices of Finnish Industrial Production

<u>Year</u>	<u>Total Industry</u>	<u>Wood and Paper Industries</u>	<u>Metal Industries</u>	<u>Other Industries</u>
1938	100	100	100	100
1945	87	64	117	89
1952	166	109	235	179
1954	189	141	231	203

From largely a home market employing little more than 44,800 persons in 1938, the metal working industries have grown to Finland's second largest industry employing over 80,000 workers or some 30 percent of the country's total industrial labor force. Production, as we have seen, has increased to almost two and one-half times that of 1938 and in 1951, the metal industries peak production year, it accounted for 27 percent of the net value of total industrial output. 14/

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Roughly paralleling the growth of the metal industries as a whole was the Finnish shipbuilding industry whose share of the reparations burden totaled 571 vessels of various types. Between 1944 and 1949 personnel employed in the steel shipbuilding industry increased from 4,560 to 7,404, or by 64 percent, while employment in the wooden and composite shipbuilding industry increased from 590 to 4,556 or by 670 percent. 15/

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### III. Trade and Credit Arrangements

#### A. Finland's Postwar Trade Pattern

Once committed to the maintenance of close political relations with the USSR under the terms of the peace treaty of 1947 and the Finnish-Soviet Mutual Assistance Pact of 1948, even closer economic ties with the Soviet State proved to be inevitable. The expansion of Finnish commercial exchanges with the USSR, due in part to pressing postwar reconstruction needs, the inaccessibility of western sources of supply and the heavy burden of reparations, brought about important modifications in the direction and composition of Finland's foreign trade.

Most striking, of course, has been the emerging prominence of Eastern Europe and the USSR in Finland's total trade picture. From the relatively insignificant .5 percent of total Finnish exports that went to the USSR in 1938, the proportion has mushroomed to a peak of 25.4 percent in 1953.\* This increase deprived Great Britain of her role as Finland's chief trading partner for the first time since 1917. At the same time, the rest of the Bloc registered similar gains. Trilateral agreements with Bloc nations designed to compensate for Finnish-Soviet trade imbalances served to increase Finland's imports from the Bloc from 14.3 percent of total imports in 1947 to 34.4 percent in the peak year of 1953.\*

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\* It is important to note, however, that the alarming proportion of Finnish trade with the Soviet Bloc in 1953 was due less to any sizable increase in purchases from the East than the steady decline in Finnish exports to the Free World after the Korean War. See Table 2, Appendix A.

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B. Trade Agreements

Prior to 1947 the exchange of goods, other than reparations, between Finland and the Soviet Union, proceeded on an ordinary clearing basis with payments made through dollar accounts opened by the Central Banks of both countries. However, under the terms of a trade agreement concluded in December 1947, Finland's commercial relations with the USSR were more firmly established and provisions for the most favored nation principle and the right of mutual free transit were agreed upon. The commodity composition of USSR-Finnish trade generally adhered to traditional patterns with Finland importing wheat, rye, sugar, oil products and fertilizers and paying for these imports with prefabricated housing, sawn timber, wood pulp and paper. 17/

By 1952, however, with reparations deliveries to the USSR virtually fulfilled, a considerable change was evident in the structure of Finnish exports. For the first time in Finnish history, products of the greatly expanded ship and metal industries accounted for a significant share of Finnish free exports to the USSR. This change in the commodity composition of Finnish exports was confirmed first in a 1952 supplement (to a five year Finnish-Soviet trade agreement concluded in 1950) and then in a trade protocol signed in November 1953, which established the level of trade between the two countries for 1954. Pursuant to the provisions of the latter agreement, machinery and equipment was to constitute 50 percent of Finland's exports to the USSR in 1954, 34 percent of which was to

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consist of ships. Wood and wood products accounted for 43 percent of the remainder. Finnish import commitments satisfied most of her requirements for grain, fodder, petroleum products, sugar and cotton. 18/

In July 1954, a second 5-year program for trade with the USSR was concluded covering the years 1956-1960. In general, the commodity component of Soviet-Finnish trade remained similar to that of previous agreements. Exports will include ships amounting to 38.0 percent of the value of total exports to the USSR, products of the metal industries amounting to 22.0 percent and wood and paper products totaling 33.4 percent. 19/ Both Finnish exports to and imports from the USSR are scheduled to show a steady increase during the years 1956-1960. An annual Finnish export surplus of \$40 million is to be compensated partly by trilateral deliveries from the European Satellites and partly by convertible currency supplied by the USSR. A ceiling of 60 million rubles is established for the deficit which may be accumulated by either party and, if exceeded, the sum must be settled in gold, dollars or some other mutually agreed upon currency. 19a/

C. Credit and Loan Provisions

In February 1954, Moscow granted Finland a \$10 million credit to be drawn upon either in gold or foreign exchange at the discretion of the Finns. The amount borrowed within the stated three year period, is to bear interest at 2.5 percent and is to be repaid in the same medium over a period of ten years. This, the first instance of a Soviet gold or convertible currency

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loan granted to a non-Bloc nation, was followed a year later by a similar credit extended to Finland in January 1955. Thus far Finland has drawn a total of \$7.5 million to support currency reserves of the Bank of Finland and for specially selected productive purposes.

D. Trilateral Arrangements

The use of trilateral agreements with Satellite countries to compensate for a surplus of Finnish exports to the USSR has been provided in the 1950 long term agreement and in all subsequent trade arrangements with the USSR. Trade imbalances with the USSR since 1951 have been all or partially covered at one time or another by trilateral arrangements with every Bloc member except Bulgaria and Albania. At the end of 1954 the Finnish credit in its clearing account with the USSR had been reduced to 21.5 million rubles as compared with nearly 30 million rubles a year earlier and about 60 million at the peak during 1954. In an effort to reduce its indebtedness, the USSR not only encouraged trilateral trade arrangements with other Soviet Bloc countries but also made direct settlements with Finland in gold and foreign currencies totaling 40 million rubles during 1954. 20/

The ruble clearing arrangements, however, have substantially nullified any advantages which might have accrued from Finland's excess exports to the USSR. Unable to find suitable imports from the Soviet Bloc and in need of free world raw materials, Finland has been obliged to offer ruble

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clearing to the West at substantial discounts. The Finnish government similarly has been required to subsidize, with considerable loss, the re-export of large quantities of unusable Soviet Bloc goods.

Neither the credit agreements nor the gold-convertible currency provisions in the 1956-60 trade agreement wholly solve Finland's problem of accumulated ruble clearing or restore to it the freedom of choice it would enjoy if Soviet payment for Finnish exports were made in hard currency.

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IV. Extent, Implications and Consequences of Finland's Reliance on Trade with the Soviet Bloc

A. Extent of Finnish Dependence on Bloc Trade

Finland's reliance upon the Soviet Bloc as the primary market for its industrial products, has in turn engendered what appears to be a substantial dependence upon the Bloc as a source of supply. Notwithstanding, Finnish re-exportation of a substantial portion of what she received from the East in an effort both to rid herself of unwanted imports and to purchase needed raw materials from the West, the fact remains that a significant share of Finland's foreign trade is firmly wedded to the markets and products of the USSR and her Satellites.

Despite a 4.5 percent decrease in Finnish-Soviet trade from 1953, trade data for 1954 indicate that Finland remained heavily dependent upon the East as a market for its industrial output. Ninety-six percent of the value of ship exports went to the East (while Finland itself purchased vessels abroad) as well as 90 percent of all exports of machinery, copper and copper products. While Finland's forest products are marketed largely in the West, 98 percent of all prefabricated houses exports were sent to the USSR in 1954. On the import side the USSR supplied 72 percent by value of Finland's bread grain imports, 92 percent of its petroleum products (largely of Rumanian origin), 97 percent of its sugar, 43 percent of its cotton,

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51 percent of its fodder and 52 percent of its fertilizers. Poland and the USSR supplied 71 percent of Finland's coal and coke imports, and the Bloc supplied 58 percent of Finland's imported automobiles. 21/

If Soviet-Finnish commitments under the long-range trade agreement are met, Finnish dependence upon Soviet Bloc imports will measurably increase. In the case of petroleum products, for example, it has been reported that of Finnish requirements for gas in 1955, 68 percent is to come from the USSR, 16 percent from Rumania, 16 percent from other countries; of Finnish requirements of light fuel oil, 70 percent is to come from the USSR, and 30 percent from Rumania; and of Finnish requirements of residual fuel oil, 51 percent is to come from Rumania. 22/

But perhaps of even more significance in linking Finland's foreign trade to that of the Bloc, has been the forced expansion of Finnish industry, geared to Soviet import requirements, which took place under the compulsion of the reparations program. The serious decline in world demand for wood and wood products, Finland's inability to find suitable markets in the West for goods primarily fashioned to Soviet needs and the generally non-competitive character of Finnish exports (particularly in ship construction, which according to the IBERO mission to Finland, is produced at a cost 30 to 40 percent above Western shipyards 23/) make it all the more imperative that Finland retain her markets in the East.

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B. Implications and Consequences of Finnish Reliance upon Bloc Trade

The economic and political implications of this progressive increase in Finland's trade with the Soviet Bloc are viewed with misgivings by most non-communist observers both in and out of Finland. On the export side, the Finnish shipbuilding and metal industries continue to rely almost exclusively on the Soviet market. Finnish reliance for supplies on the Bloc, and the USSR in particular, is now virtually complete for petroleum, coal, bread grains, sugar, fodder and fertilizers and significant in the case of iron and steel, ferro-alloys, cotton and a number of other industrial raw materials. Imports of machinery, tractors and automobiles hitherto drawn almost entirely from Western sources, have recently been received in increasing volume from the Soviet Union, Czechoslovakia and East Germany.

That such a dependence upon the Soviet Bloc constitutes a latent danger to the country's independence and makes Finland politically and economically vulnerable to Soviet pressure, has been made clear to the Finns on a number of occasions. Perhaps the most recent demonstration of the pitfalls of over dependence on Soviet markets has been the serious decline in the Soviet market for Finnish exports of prefabricated houses. Soviet imports have decreased from the approximately \$32.4 million in 1952 and the \$28.1 million in 1953 to less than \$24.1 million in 1954.\* Finnish anticipation of a

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\* Finland's dependence upon the Soviet market is evidenced by the fact that of a total 1954 export of 787,000 square meters, the USSR took 754,000 square meters.

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750 thousand square meter annual export to the USSR as provided for in 1956, was frustrated with the Soviet announcement that it would take only 250 thousand square meters in 1955. <sup>24/</sup> The prospect of finding compensatory markets for this high cost industry are indeed slim and at this point it is difficult to gauge the economic dislocations which the curtailment of production in one of Finland's most important branches of industry, will occasion.

On the other hand, while the situation remains potentially dangerous for the Firms, there appears little indication that it portends any immediate threat to Finnish economic or political integrity. If the Soviet Union were to cut her trade ties with Finland suddenly, and if western markets could again absorb the bulk of Finland's traditional export items, Finland could adjust to new patterns of production, consumption and foreign trade with non-Bloc areas. The period of adjustment would be uncomfortable, but not fatal. Finland's metal working industries already sell 70 to 80 percent <sup>25/</sup> of their output to the home market. If costs could be measurably decreased, or subsidies arranged, modernization of Finland's over age merchant fleet, repair of rolling stock, etc. could provide ample employment for its shipyards and metal industries for years to come. The failure of Russian supplies of grain, oil and coal could presumably be made good from the Free World. On the import side in terms of Western resources, Finnish annual requirements of 200,000 tons of wheat and 2,000,000 tons of coal, do not bulk very large.

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The degree of Finnish economic dependence on the Soviet Union appears nowhere near the preponderant degree of economic penetration of the Balkan states by postwar Germany where 60 to 70 percent of their trade was with Germany. Even in Finland's peak year of trade with the Soviet Bloc (1953) over two-thirds of its trade was still with the Free World; and prospects do not seem very good for Finno-Soviet trade to exceed substantially present proportions. Trade with the USSR to a large degree, will be governed by the ability of Finland to find suitable imports from the USSR and to decrease its already sizeable accumulation of inconvertible Bloc currencies, and Soviet willingness to increase her purchases of Finland's forest products since it itself is an important producer of timber.

Of course there is little reason to believe that the Soviets would hesitate to attempt to smother Finnish industry by a sudden curtailment of trade, if Finnish behavior warranted such a drastic measure. But barring such a contingency - and there is little to indicate that Finland is soon to repudiate its attitude of "friendly neutrality" towards the USSR - any further Soviet economic pressure upon the Finns which they deem inimical to Finnish national interests is likely to result in a net political loss for the USSR.

It might be added, however, that Finnish reliance upon the Soviet Bloc is not only of potentially serious consequence to Finland itself, but to all of the Free World. For Finland's trade with the East poses not only a

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latent danger to its own independence but a convenient mechanism by which the USSR is able to skirt western export restrictions. Finland has received from western sources raw materials and components for use in the production of strategic goods for the Soviet Bloc. Not currently receiving economic or financial assistance from the United States, Finland is not subject to the provisions of the Battle Act and there is, at the present time, no legal sanction which can be invoked to force Finnish agreement to the deletion of strategic items from its East-West trade. The advisability of inducing COCOM agreement to impose export controls on Finland's western suppliers, is open to question. Such pressure would undoubtedly be fiercely resented in Finland and would perhaps serve to force her further into the arms of her huge neighbor to the East.

C. The Finnish View

Although it is difficult to generalize the many divergent views of increased economic ties with the USSR held by the Firms themselves, the climate of official opinion has become sufficiently solidified to warrant some impressions. Influential Firms are apparently well aware of the potent political weapon which their economic dependence has given the USSR. However, faced with the immediate alternative of either deactivating the costly metal and shipbuilding establishments or relying on the Soviet Bloc to buy enough of their products to sustain these industries, the Firms have apparently, to judge from the details of the 1956-60 agreement, chosen the latter course.

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To a large extent Finnish opinion is crystallized in the views of former Prime Minister Kekkonen who has welcomed the excessive development of Finland's shipbuilding and iron and steel industries and hopes that Finland may win a high level of prosperity through increased commercial exchanges with the USSR.

At the conclusion of Finnish reparations payments to the USSR in September 1953, Kekkonen declared:

"But on the day upon which war reparations conclude we must also and by preference, look forward. We must guarantee full activity in our modern industry which has sprung up on the basis of the war reparations. We can best do this by maintaining close and trusting trade relations with the Soviet Union, which knows our products and through experience relies upon our capacity to deliver. If we can manage to take of our trade with the Soviet Union in proper fashion then eight years of plenty will follow the eight lean years." 26/

Others are not hesitant to blame the western powers for Finland's present predicament in having permitted Russia to impose such heavy burdens on Finland at the end of the war. But almost all are satisfied with their postwar economic achievement and feel confident that they can hold their own against possible Russian encroachments.

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APPENDIX A

Supporting Statistical Data

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## Finland's Foreign Trade with Principal Countries

Exports in million mk and as percent of total exports.

	1976		1977		1978		1979		1980		1981		1982		1983		1984 *	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
USSR	43.5	0.5	1,540.5	29.6	5,607.7	12.4	6,887.9	14.7	10,000.1	15.3	6,828.6	7.6	15,548.9	8.3	27,496.3	17.5	33,408.9	25.4
Sweden	104.7	1.0	831.5	15.9	2,559.5	5.7	3,082.5	5.5	3,286.0	4.1	3,286.0	4.2	5,849.2	3.1	6,323.6	4.0	4,144.3	3.2
Denmark	275.0	3.2	572.4	10.9	3,436.5	7.2	3,529.2	6.4	4,255.1	6.7	5,591.7	7.3	6,368.0	4.5	5,304.8	3.4	4,583.3	3.5
Germany	1,043.7	11.8	--	--	58.9	0.1	409.6	0.8	1,454.5	3.0	4,469.0	5.5	13,327.9	7.1	14,489.8	9.2	9,382.1	7.0
Netherlands	374.9	4.5	86.7	0.5	2,055.0	4.5	4,077.7	7.2	4,625.0	7.0	6,558.0	8.0	9,435.2	5.1	7,752.3	4.9	5,987.6	4.5
Belgium - Luxembourg	252.2	3.1	84.9	1.6	2,342.9	5.2	2,125.2	3.0	4,070.3	4.2	3,331.2	4.1	5,145.6	3.0	4,176.0	2.7	3,661.1	2.8
United Kingdom	3,703.1	44.1	1,039.3	35.2	13,778.7	30.0	16,000.2	36.3	10,000.8	27.2	19,033.3	23.4	37,355.8	30.0	37,256.1	23.8	28,974.6	22.0
France	277.6	3.3	15.1	0.3	1,739.5	3.9	3,169.1	5.6	3,413.7	4.7	4,410.9	5.4	11,007.4	5.9	10,966.4	7.0	5,803.6	4.4
United States	773.1	9.2	58.6	1.0	1,101.0	2.4	1,363.2	3.0	4,407.7	7.6	7,639.0	9.4	12,750.7	6.0	8,604.2	5.5	9,461.9	7.2
Others	1,040.2	12.5	215.0	4.1	8,020.4	17.5	10,334.2	18.2	10,000.6	20.2	10,000.2	25.1	17,531.6	25.4	34,405.9	22.0	16,259.8	12.0
Total	8,336.0	100.0	5,207.8	100.0	45,058.1	100.0	56,508.8	100.0	65,405.2	100.0	81,478.7	100.0	186,483.3	100.0	156,809.2	100.0	134,555.2	100.0

\* Preliminary figures.

Sources: Statistical Yearbook of Finland, Helsinki, 1984.  
Bank of Finland Monthly Bulletin, March 1985.

Table 1  
Finland's Post War Trade with Principal Countries

Imports in million mk and as percent of total imports.

	1946		1949		1951		1954		1957		1959		1961		1962		1963		1964		1965	
	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent	Value	Percent
USSR	106.0	1.2	1,098.9	19.0	5,395.8	11.3	8,070.6	12.5	11,946.1	11.4	7,070.4	7.9	11,066.6	7.6	22,040.3	12.1	25,131.1	21.4	27,073.0	17.8		
Denmark	1,111.3	12.9	3,500.6	51.3	2,252.3	4.8	3,178.7	4.8	1,125.5	6.6	5,880.7	6.6	8,785.1	5.6	10,630.1	5.8	5,099.5	4.4	6,933.0	4.5		
Germany	358.2	4.6	1,039.8	15.2	3,017.1	6.4	5,348.9	8.0	1,022.7	6.1	7,071.8	7.9	8,882.4	5.7	6,787.5	3.7	3,686.5	3.0	3,494.0	2.4		
France	1,722.7	20.0	105.8	1.6	17.1	0.0	196.5	0.7	571.3	0.9	3,995.1	4.4	14,692.4	9.5	22,026.4	12.4	9,346.5	7.7	10,140.0	6.7		
Netherlands	370.4	4.3	16.7	0.3	2,488.3	4.7	3,958.3	6.0	6,169.2	6.9	11,750.1	7.6	10,299.4	5.7	7,572.5	4.2	8,786.0	6.5				
Belgium - Luxembourg	143.9	1.8	21.7	0.3	3,789.2	7.9	3,274.4	4.9	3,471.0	5.0	3,995.4	4.5	9,117.3	5.9	5,969.0	3.3	3,897.1	2.7	4,550.0	3.0		
United Kingdom	1,562.3	18.6	785.8	10.7	8,800.9	17.5	16,071.8	25.1	14,020.4	22.1	20,745.5	23.3	30,736.4	21.1	34,696.3	19.0	19,204.7	16.8	28,598.0	18.8		
Sweden	181.7	2.2	2.0	0.0	2,017.6	4.3	2,069.7	4.5	6,344.3	9.6	5,423.7	6.1	10,530.6	6.8	10,411.8	5.8	6,973.8	5.7	9,815.0	6.1		
Finland	773.6	9.0	8.0	0.0	11,139.3	23.7	8,006.0	12.0	3,492.2	7.7	5,382.5	6.0	9,787.2	6.3	14,085.5	7.7	6,995.4	5.0	7,440.0	4.6		
United States	1,053.9	12.0	117.2	1.6	9,993.3	19.4	14,193.3	21.5	14,020.4	22.1	20,745.5	23.3	30,736.4	21.1	34,696.3	19.0	19,204.7	16.8	28,598.0	18.8		
Others	1,053.9	12.0	117.2	1.6	9,993.3	19.4	14,193.3	21.5	14,020.4	22.1	20,745.5	23.3	30,736.4	21.1	34,696.3	19.0	19,204.7	16.8	28,598.0	18.8		
Total	8,697.3	100.0	4,820.5	100.0	46,970.5	100.0	66,359.2	100.0	104,777.6	100.0	89,147.5	100.0	125,409.1	100.0	182,186.3	100.0	123,466.2	100.0	158,137.0	100.0		

TABLE 2

## FINLANDS TOTAL TRADE WITH VARIOUS TRADING AREAS

1938 and 1950 - 1954

(Billions of Finmarks)

	1938	1950	1951	1952	1953	1954
Dollar Area <sup>1</sup>	1.6	14.6	25.7	23.1	16.4	16.9
Sterling Area <sup>2</sup>	5.9	46.5	102.8	76.9	50.9	68.2
EPU Except for UK and Ireland <sup>3</sup>	7.9	64.9	140.9	140.6	83.9	103.6
Sino-Soviet Bloc <sup>4</sup>	.7	26.0	46.0	69.1	83.3	87.5
Other Countries	.8	18.3	26.7	29.0	19.0	32.5
Total	16.9	170.3	342.1	338.7	253.5	308.7

1 Dollar Area: To 1952, US and Canada. After 1952, US, Canada, Mexico, Cuba and Venezuela

2 Sterling Area: To 1952, UK, Ireland, Egypt, South Africa, Southern Rhodesia, India, Pakistan, Ceylon, British Malaya, Australia and New Zealand. After 1952, the UK and Commonwealth plus India.

3 EPU Area: Sweden, Norway, Denmark, Iceland, Netherlands, Belgium, Luxembourg, West Germany, Austria, France, Italy, Greece, Turkey, Portugal and Switzerland

4 Sino-Sov Bloc: USSR, Poland, Czechoslovakia, East Germany, Hungary, Rumania, <sup>4</sup>Rulgaria, and China.

Sources: Figures for 1938, 1950, 1951, 1952: State, Helsinki, Desp. No. 496, 16 Feb 53, enc. no. 3, p. 1, U, 1952 and 1953, State, Helsinki Desp, 386, 23 Feb 55, enc. no. 6, p. 1, U.

TABLE 3

Percent of Finland's Total Foreign Trade with USSR and Sino-Soviet Bloc\* 16/

Year	Percent of Imports		Percent of Exports	
	USSR	BLOC	USSR	BLOC
1913	28.1		27.9	
1938	1.2		.5	
1946	21.4		20.1	
1947	11.3	14.3	12.4	31.1
1948	12.5	19.	14.7	31.8
1949	11.4	19.5	15.3	32.8
1950	7.9	18.	7.7	20.7
1951	7.6	16.	8.3	17.1
1952	12.1	19.4	17.5	25.6
1953	21.4	34.4	25.4	31.4
1954	17.8	28.7	21.5	27.9

\* Based on current value and including reparations and transfers of former German Assets.

Sources: Bank of Finland Monthly Bulletin, No 1-2, Jan-Feb 55, U.  
Value Series data prepared by International Economic Analysis  
Division, Bureau of Foreign Commerce, U.

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TABLE 4

Finland's Balance of Trade with Soviet Bloc, 1954 by Country of Origin/Destination

(Millions of Finnmarks)

	Exports	Imports
Soviet Union	33,718.4	20,327.7
Poland	3,354.3	6,452.3
East Germany	2,702.0	4,572.0
Czechoslovakia	1,043.9	4,171.9
Hungary	793.9	1,152.5
Rumania	520.6	6,105.3
Bulgaria	113.8	274.2
China	<u>1,514.9</u>	<u>655.1</u>
Total	43,761.9	43,711.0

Sources: Army, Helsinki, DA In 115680, 19 Jan 55, WEEKLY Econ, p. 8, C.

TABLE 5

Commodity Trade of Finland with the USSR  
1948-53

(Thousands of U.S. dollars)

	<u>Exports to the USSR a/</u>					
	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Food, Beverages and Tobacco	2,893	3,091	405		1,596	14
Wood and Wood Manufactures <sup>b/</sup>	57,315	44,293	16,113	46,136	69,117	56,100
Chemicals	84	60	9		1,748	901
Manufactured Goods	21,780	11,361	2,705	4,599	14,209	19,231
Machinery and Transportation equipment	64,387	77,287	45,447	70,044	68,274	68,994
Miscellaneous Manufactured Articles and Others	455	164	123	292	56	282
Total	<u>146,914</u>	<u>136,256</u>	<u>64,802</u>	<u>121,071</u>	<u>155,000</u>	<u>145,522</u>
	<u>Imports from the USSR</u>					
	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Foodstuffs	37,913	19,525	16,469	30,750	64,611	60,169
Beverages and Tobacco	703	132	426	685	616	394
Inedible Crude materials except Fuel	1,492	2,160	1,220	2,439	3,517	9,519
Mineral fuels	2,351	4,732	2,676	2,682	1,200	7,101
Chemicals	2,335	2,057	1,156	176	967	2,740
Manufactured Goods	5,401	4,831	413	3,280	9,734	7,614
Miscellaneous and Others	1,012	1,443	1,316	1,378	936	2,110
Total	<u>51,207</u>	<u>34,880</u>	<u>23,676</u>	<u>41,390</u>	<u>83,581</u>	<u>89,647</u>

a. Including war reparations.

b. Including synthetic fibers and wood pulp.

Source: CIA, RR IM-392, 24 August 54, S, US OFF.

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TABLE 6 NO DISSEM ABROAD

Projected Trade of Finland with the USSR  
Trade Agreement 1956-60

Thousand US \$			
<u>Year</u>	<u>Imports</u>	<u>Exports</u>	<u>Balance</u>
1956	107,500	147,500	+40,000
1957	108,700	148,700	+40,000
1958	117,500	157,500	+40,000
1959	120,000	160,000	+40,000
1960	123,700	163,700	+40,000

Source: CIA, IM-392, 24 Aug 54, Finnish Soviet Five Year Trade Agreement 1955-60, p. 10, S, US Off Only

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APPENDIX B

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METHODOLOGY AND GAPS IN INTELLIGENCE

There were no special methodological problems encountered in the writing of this paper.

There were no outstanding gaps in intelligence. Adequate coverage of Finland's trade with the USSR substantially lessened the problem posed by the absence of Soviet statistical data.

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APPENDIX C

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